

**CENTER FOR
STRATEGIC AND INTERNATIONAL STUDIES (CSIS)**

US-TAIWAN RELATIONS IN A NEW ERA

**WELCOME:
JOHN HAMRE,
PRESIDENT AND CEO,
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**MODERATOR:
CHARLES FREEMAN,
FREEMAN CHAIR IN CHINA STUDIES,
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**SPEAKER:
MA YING-JEOU,
PRESIDENT OF THE REPUBLIC OF CHINA (TAIWAN)**

**THURSDAY, MAY 12, 2011
7:45 A.M.
WASHINGTON, D.C.**

*Transcript by
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JOHN HAMRE: Mr. President, are you ready for us?

PRESIDENT MA YING-JEOU: Almost. (Laughter.)

MR. HAMRE: Well, it turns out that your representative here is stuck in traffic, he's not arrived – (laughter) – but we'll go ahead and start. I mean, we're not going to wait on him. You're the president.

MR. : (Off mic.)

MR. HAMRE: Eight minutes?

MR. : (Off mic.)

MR. HAMRE: Well, but I just want to make sure that – Oh, Jason's here. Come on up. (Laughter.) We can start. (Laughter.) Charles, thank you. Why don't you get us started?

CHARLES FREEMAN: We're – Taiwan is always so much more efficient than we are. We're just getting started, I think. (Laughter.) But I want to welcome everybody to what we know is a pretty exciting event for us, and I'm sure for all of you here at CSIS. I'm Charles Freeman. I'm the chair in China studies here at CSIS. And it gives me great pleasure to welcome all of you here today. If I could ask you to turn your cell phones off, that would be helpful indeed.

This event is not just happening here and being simulcast on our website, but is also going out to different offices with audiences at the Taiwan Economic and Cultural Office in Chicago, Atlanta, New York, Boston, and Miami. And so this is almost a true nationwide event. Our friends on the West Coast, we let them sleep in today. But they can catch it later.

What we'll do with questions is we're going to pass cards up and ask them to be passed back. President Ma has graciously agreed to answer a few questions after his remarks. But with that said, let me introduce my boss, Dr. John Hamre, who really needs no introduction, to –

MR. HAMRE: Take all the time you need.

MR. FREEMAN: -- to start things off. (Laughter.) Dr. Hamre.

MR. HAMRE: Well, thank you all for coming, and good morning, Mr. President. Welcome to Washington; we're delighted to have you here. This is the first time I've ever had the privilege of doing something like this, so if there are mistakes made, it's because I'm a novice. I don't know what I'm doing, but you'll be tolerant of me.

This is a wonderful opportunity. We are delighted to welcome President Ma Ying-Jeou to Washington virtually today, and I would just like to say a few words of introduction of President Ma. I have been around politicians my whole life, and so, you know, I'm used to the character and the intellect of politicians.

But President Ma, really from my first meeting with him – and that was when he was the mayor of Taipei – really set himself apart in a remarkable way – and in preparing for this, I realized why. You know, I think – what I've found is that so many of the really, truly great leaders in Asia started off as English interpreters. (Laughter.) Now just think about that, you know. The reason is it – can any of you figure out how they do that? I can't. I mean, these are remarkable intellects that are able to simultaneously integrate in two different domains at the same time, and then make it clear to me.

I (thought ?), that's remarkable! These are incredible skills, and it is the kind of skill that, frankly, propelled President Ma to the very top. And he's had such a remarkable career. You know, this was a career that started off, he was one of the first – he was the vice chairman of the first mainland affairs council. And it really led to a lot of his very formative thinking that now is showing up in such a profound way when he's president of Taiwan.

He was instrumental when – in lifting the martial law when he was working for President Chen . So this is a man who has experienced, personally – been in the middle of so much of the dynamic character of modern Taiwan. And it's – so now he's leading it. And he's have (ph) to lead it at a tremendously turbulent time.

You know, coming into office, and all of a sudden there's a global recession – this is what tests any leader. And he responded really superbly. I mean, Taiwan has done very, very well. So it's now at an interesting new pivot point. Asia and China – it's becoming a much more complex and dynamic place. And we're lucky to have a man of his character that's leading at a crucial time.

So President Ma, I know it's in the evening there. We're delighted that you're willing to share your time with us, and let me turn to you for your presentation to this group. I must tell you, by the way, normally we can't get 150 people to show up for anything at 8:00 in the morning in Washington. So you have tremendous drawing power here in Washington. Thank you, President Ma. We'll turn to you.

PRESIDENT MA: President Hamre. The distinguished guests, ladies and gentlemen. Good morning, although it's evening in Taipei. (Laughter.)

It gives me great pleasure to be addressing my friends at the Center for Strategic and International Studies once again. We last met two years ago on the occasion of the 30th anniversary of the Taiwan Relations Act, a milestone in history of the Republic of China on Taiwan. And this year, after a long journey of blood, toil, tears and sweat, the Republic of China is achieving a greater milestone: its centennial anniversary.

This year also marks the third year of my presidency. Therefore, it is time to share with you how I am building three lines of defense for the ROC's national security so as to ensure its longevity for many more centuries to come. These three lines of defense are institutionalizing the Cross-strait rapprochement, enhancing Taiwan's contribution to international development and aligning defense with diplomacy.

The first line of defense: institutionalizing the Cross-strait rapprochement. The Cross- strait rapprochement that began three years ago continues to bear fruit and increase regional peace and stability. We witness this in so many aspects of our society. The arrival of nearly 3 million mainland Chinese visitors – up almost 10 percent, up 10 times – has created a tourism boom in Taiwan. The increase in cross-strait trade also boosted Taiwan's total trade volume to a record high of \$526 billion in 2010.

Since the cross-strait judicial mutual assistance agreement was signed in 2009, a joint crackdown on cross-strait crimes by the police forces of both Taiwan and mainland China has seen more than 100 fugitives repatriated to Taiwan, up 50 percent from before, and has cut cases of fraud in Taiwan by more than a quarter.

And in education, more than 5,600 mainland exchange students studied in Taiwan's universities in 2010, paving the way for another 2,000 students to arrive in the fourth semester this year. We have also seen a surge in Taiwanese companies with a heavy investment presence in mainland China returning to list their companies on the Taiwan Stock Exchange rather than on the Hong Kong Stock Exchange, a dramatic reversal of previous practices.

I owe much of my administration's success to our new approach to cross-strait relations. This new way of thinking revolves around moving beyond the outdated mode of unilateralism that previously characterized and also hindered relations between the two sides. As the renowned diplomatic historian Paul Schroeder concluded in his study of events that led up to the Congress of Vienna peace era, one must have change of thought before one can have change of action.

Before I came to office, we had all witnessed the spread of instability and – (inaudible) – and especially in security in cross-strait relations. I had long recognized that cross-strait relations require a new mindset, one that would emphasize the commonalities, take advantage of our shared interests, capitalize on our mutual opportunities, and de-emphasize our political disagreements.

Former KMT chairman Lien Chan undertook some of the first steps towards instilling this new mindset when he embarked on his journey of peace to the mainland in 2005. His speech at Beijing University calling for the two sides to join together to beat swords into ploughshares captured the essence of this new idea.

The decades-old rivalry between Taiwan and mainland China was thus given a rare window of opportunity for change. After I came to office in 2008, I worked hard to

accelerate this change. All around me, the world was changing at breakneck speed, while the ill-founded policies of the last decade were threatening to sideline Taiwan in the Asia-Pacific region.

I knew I had to break out of the cross-strait deadlock for the sake of Taiwan's economic future and national security. Hence, I championed a three-note policy of no unification, no independence, and no use of force – (in Chinese) – under the ROC constitution. This has changed the fundamental structure of, and created a virtuous cycle for, cross-strait relations.

I then adopted the '92 consensus – (in Chinese) – as the cornerstone for the cross-strait negotiations. The '92 consensus, meaning one China, respective interpretations, has proven crucial to paving the way forward. It was under this consensus that the six rounds of – (in Chinese) – talks were able to take place, and the two sides were able to achieve so many practical – indeed, incredible – breakthroughs.

By putting Taiwan first, for the benefit of the people – (in Chinese) – we and Beijing have, thus far, signed 15 agreements that tackled the issues of greatest concern to the people in Taiwan. At the same time, my administration managed to institutionalize convenient, predictable, and stable channels for cross-strait communications. It was only through this groundwork that the next milestone of signing an economic cooperation framework agreement – ECFA – last year, could be realized and its benefits fully exercised.

One econometric study has even shown that the ECFA will eventually add 4.4 percent to our GDP once the dynamic gains of structural adjustment have time to be fully implemented. And that is not even including other potential spillover benefits as a result of the improved services, trade, and investment environment. It is also my belief that increased exchanges across the strait will lead to increased exchanges with other countries for both sides. This will enhance mutual understanding between Taiwan, the mainland, and other countries, which will, in turn, help cross-strait relations evolve even further.

That is, the virtuous cycle in cross-strait relations has positive consequences for the international community, which then adds even greater momentum to improvement in cross-strait relations. For example, due to the diplomatic truce between the two sides of the strait, the number of diplomatic allies that Taiwan has remained constant at 23, compared to a loss of six allies by the previous administration. Taiwan has also joined the government procurement agreement and become an observer in the World Health Assembly – WHA – after a hiatus of 38 years.

Taiwan has expended its visa waiver program from the 53 to 113 countries and regions, with the United States as the notable exception, as well as working holiday arrangement for young people from two to six countries. This just shows what can be achieved by merely changing the way one thinks.

This, I believe, is also the essence of good governance: never to interfere, but to build the necessary structures that encourage the right conditions for growth

in society. And it is through this process of institutionalization that we created explicit or implicit principles, norms, rules, and procedures around which the expectations of both sides can converge. This very convergence has created predictability and mutual understanding in our relations, leading to stability across the Taiwan Strait and in the region as a whole.

The idea of institutionalizing the cross-strait rapprochement, therefore, is not only to reduce the possibility of a miscalculation, but more importantly, to increase the cost of reversing this trend.

The second line of defense: enhancing Taiwan's contribution to international development. Although the incredible breakthroughs achieved in cross-strait relations have ensured a brighter future for Taiwan in the region, Taiwan's national security is also heavily dependent on how it contributes to the international community. I envision Taiwan contributing on two primary fronts: the economy and foreign relations.

In terms of the economy, Taiwan already has the infrastructure and conditions in place to attract the best talent and become East Asia's next commercial center. Without a doubt, the expensive business and personal network Taiwan has built up throughout the region over the last sixty years are an invaluable asset. Its historical ties and cultural and language affinity with the mainland gives it a competitive edge in the vast Chinese mainland market.

At the same time, Taiwan also has a special partnership with Japan, as we share many cultural traits, common interests, ideas, and even the same fashion sense. Therefore, many Japanese and Taiwanese businessmen have decided to work together to enter the mainland Chinese market, and this type of win-win partnership can be successfully repeated with other countries.

Taiwan is located at the geographical center of East Asia and could not be in a better position for tapping into business opportunities in the region. Any businessman or multinational company based in Taiwan has convenient access to the whole Asia-Pacific region. With direct air and sea links, Taiwan is connected to all major cities in the Chinese mainland, from the coastal metropolis of Shanghai and Beijing to the fast-developing cities in the Chinese hinterlands.

At the same time, all other major cities in the region, such as Tokyo, Seoul, Singapore, New Delhi, or Sydney, are well within reach. Taiwan is also endowed with many self-powered attributes that makes it an ideal place for both domestic and multinational companies. Its democracy and rule of law ensure that the rights of individuals and companies, including intellectual property rights, are guaranteed.

The country's modern and comprehensive transportation, health care, and education infrastructure ensures that those who live there enjoy access to very good quality services. We also have a highly educated, innovative, and skilled labor force just waiting for foreign companies to tap into. We have created an amiable and safe society where anyone out at night walking their dogs or buying food at grocery stores can feel safe. And improvements are happening all the time, making our society a better place to live and do business in.

Against a backdrop of stable cross-strait relations, Taiwan's original connections,

geographic advantage, and self-power attribute make it poised to ride the next wave of opportunities in the region and to help others do the same if they choose to join us

With respect to foreign relations, there is also a lot of value that Taiwan can add to the global community. And as a maturing democracy, I believe that Taiwan must learn to fully shoulder its own responsibilities in the world. In fact, Taiwan's national security is inseparably tied to its role as a responsible stakeholder. Our nation's political and economic survival depends entirely on how well we uphold the peace and stability of the international system.

This is the same system that is making Taiwan prosperous and allowing our government and people to connect with the rest of the world in ways that are enriching our nation even further. So Taiwan certainly has a vested interest in putting a stop to improper diplomatic practices and in adopting a foreign aid policy that is more in line with international standards and norms.

This is exactly what we have been doing over the last three years. Humanitarian work has especially become an important platform for Taiwan's contributions to the international community. Taiwan's democracy and economic prosperity have combined to give rise to a vibrant society of numerous nonprofit organizations. In almost every major disaster that has occurred in the world recently, Taiwan has been an important contributor, whether in providing international aid to help rebuild homes in Sichuan or giving life-sustaining medical aid to Haitian children.

We were also one of the first to arrive with emergency relief supplies and rescue teams when Japan was struck by the triple disaster of an earthquake, tsunami, and nuclear incident. Deeply saddened by the devastation, my wife and I were personally on hand to answer calls from donors at a major fundraiser in Taiwan last March. An equivalent of 27 million US dollars was raised that night.

My administration had also pledged another 3 million US dollars. In fact, Taiwan ended up donating more than 200 million US dollars in total, which is Japan's biggest donor so far.

But as you may know, our humanitarian contributions in that crisis extended beyond Japan. Our China Airlines was chartered to help fly out scores of US expatriates to Taipei before they headed back home to the United States. This second defensive line aims to give Taiwan a higher moral ground in international politics.

The third line of defense: aligning Taiwan defense with diplomacy. From securing the cross-strait rapprochement to enhancing Taiwan's contributions in international development – (audio break).

MR. : We're obviously experiencing technical difficulties. We'll – sure we'll get it back.

MR. HAMRE: Everybody hold on.

President Ma, if you can hear us on your end, we have a disconnect right now. Please hold your spot in your speech, and we want to come back to you.

PRESIDENT MA: – finance and military doctrines. However, we are confident that we will succeed in building a small but strong military force. Complementary to our defense capability is Taiwan's democratic values, rule of law, and thence civil society, which could make Taiwan an indispensable reference for social-economic development in the Chinese mainland. This is, it could be said, a self-powered approach to national defense.

Given the high stakes that America has vested – invested in the region, I am sure the US of all countries can appreciate my administration's commitment to being a responsible stakeholder. For example, President Barack Obama expressed earlier this year his support for the progress that has been made to reduce cross-strait tensions and, in particular, how its continuation will be in the interests of the region and the United States.

However, our cross-strait relations – to continue advancing, the US must help Taiwan level the playing field. Negotiating with a giant like the Chinese mainland is not without its risk. The right leverage must be in place. Otherwise, Taiwan cannot credibly maintain an equal footing at the negotiating table. This is why I continue to urge the US to provide Taiwan with necessary defensive weaponry, such as the F-16 – (inaudible) – and diesel-powered submarines to keep its aerial and naval integrity intact, which is key to maintaining a credible defense.

As Secretary of Defense Robert Gates wrote in Foreign Affairs last year, the US can best help itself by helping others defend themselves. At the same time, American presence in the very system it helped create decades ago is crucial to that system's survival. In the end, only a strong US commitment, backed by its credibility in East Asia, can guarantee the peace and stability of this region.

In conclusion, a country's overall strategy for security requires a sound political foundation in the domestic setting. My approach to Taiwan's national security is based on my administration's unwavering identification with the Republic of China and its constitution. This is common denominator for our vibrant democracy, which has a wide spectrum of political views ranging from those who prefer the – (inaudible) – Taiwan independence to those who enjoy the status quo and – to those who favor reunification with mainland China.

Any deviation from or equivocation on this common denominator will only cause unnecessary uncertainties and risks in Taiwan's domestic politics, cross-strait relations, and international politics. Given that stakes for all the countries in East Asia, and for Taiwan's future development, are high, I am confident that my approach to the ROC's national security is already at an optimum.

My friends in America, the future of the region holds enormous opportunities, but also many political pitfalls. My changes in both Taiwan and the mainland domestic politics could derail much of what has been achieved. Intransigence, overconfidence,

or unilateral pursuit of national interests could lead to a losing scenario for all relevant parties.

So it will be essential to keep track of these moving pieces in the future. For my part, the process of transforming Taiwan into a valuable member of the global community, and thus

ultimately enhancing its own security, will continue full steam ahead under my administration. The same old no-frills, no-surprises diplomacy will also continue to be the operational code for my administration's conduct over foreign policy.

That said, I hope this year will mark the start of a new 100 years that will be known as the century when the Taiwan-US partnership achieved its greatest accomplishments.

Thank you.

MR. HAMRE: Mr. President, you're in Washington, D.C. D.C. stands for developing country. Our communications are not as good as Taiwan's, and we had about a 40-second gap in your message. But I, fortunately, have a copy of his prepared remarks. And just to summarize what the president was saying at that crucial point: He was talking about his priorities for securing cross-strait rapprochement and enhancing international development, but then the way this contributes to Taiwan's security.

And he said, "I have two priorities. First, to continue to build Taiwan's credibility and trust with our closest allies, especially the United States. And to be a trustworthy partner, Taiwan must be keenly aware of how its actions in the international system affect the interest of big powers.

Second, Taiwan has resolved to defend itself. My administration wants to enhance Taiwan's defense capability on a newly designed volunteer military system."

He then goes on to say, we are confident we will succeed in building a small but strong military force.

And that was the point that your voice came back online, Mr. President. So I wanted to make sure everybody here had the value of your full speech. Ladies and gentlemen, there is an old Greek aphorism that in the land of the blind, the man with one eye is king. And I think what we heard this morning from President Ma was this vision, you know, as he said, and he said at the very beginning, changing our thoughts has to occur before we change actions.

And I think we've seen that systematically, Mr. President, in what you've been doing. I'm very, very impressed, as all of us are, by the strategic quality of your insights that you've brought to this. And so I – I'm going to turn the questions – questioning period here over to my colleague, Dr. Freeman.

But I'm – because I'm president, I get to ask the first question, OK? And so I do want to ask you – president of a little think tank, not a country – I want to ask a – the first question, and that is: You've given us a vision – you've now shared with us, and we've now been able to see your vision, because you've been implementing it now for three years. You've had 15 agreements that you've reached, cross-straits agreements. It's had a remarkable impact.

And so we now can see the vision that you had, three and four and five years ago, as you were conceptualizing this new phase. Can you share with us, now, your

vision, looking out even further? Where does this go? How does this proceed in your cross-straits relations?

PRESIDENT MA: I understand many people are interested – what we'll be doing in the next couple of years. Actually, as you know, when we resume negotiations with mainland China and concluded 15 agreements, we cover only a very small portion of the current interchange between the two sides of Taiwan Strait.

For instance, we signed ECFA last year. But the items that we cover actually account for roughly a quarter of a normal economic cooperation agreement. So we continue to negotiate the remaining items in a – right now, it probably will take a while before we can conclude them.

We are negotiating, for instance, a(n) investment protection agreement. We are also negotiating a dispute settlement agreement. So there are many others to come. As the nuclear accident happened in Japan – and we are also very concerned about the nuclear reactors located just across the Taiwan Strait. So we will be negotiating a nuclear safety agreement with the mainland as well.

So our hands are really full with all these important economic or technical agreements that are involved and related with the daily lives of our people. So these will be the first priorities for this administration to look into before we can take care of other, more complicated issues between the two sides.

MR. FREEMAN: Thank you very much, Mr. President. We've got a number of questions that will – hopefully, will take as little of your time as possible, but enough time so that our audience members, who submitted a lot of questions, will be satisfied.

First question – these are anonymous for the large part – most part, so I'm not going to identify anyone who's written their name down. But a two-part question, hopefully related.

What do you consider your toughest issue in the upcoming campaign. How do you plan to deal with it? And, if reelected, what will be your priorities in the second term?

PRESIDENT MA: (In Chinese.) (Off mic.) As you know, I just said that we are negotiating several agreements. We may be able to accomplish some of them before the end of the year. So we will proceed to deal with the rest. And in addition to economic issues, cultural issues are also very important.

In our negotiation with the mainland last year, we concluded an agreement on protection of intellectual property rights. But so far, the cultural exchange between the two sides are still hampered by a lot of regulations. For instance, we already reached an agreement between Taiwan and the mainland to export films to the other side. And there's no limit for Taiwanese film going to the mainland. But so far, not a single film has been allowed to be shown.

For mainland China, there is a limit of 10 films a year. So far, we have already shown

some. So there's a gap between the understanding of the two sides on some of the cultural exchange items. That's going to be a very important one for the two sides. And so far, we haven't gotten agreement on publications, books, or other items in this regard.